

Message Text

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73

ACTION EB-07

INFO OCT-01 ARA-10 IO-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 TAR-01 INT-05 DODE-00 PA-02 PRS-01 /110 W

----- 065781

R 151955Z JUL 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 8884

INFO USMISSION GENEVA

U S DEPT OF TREASURY

AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

AMCONSUL MAZATLAN UNN

AMCONSUL MERIDA UNN

AMCONSUL MONTERREY UNN

AMCONSUL NUEVO LAREDO UNN

AMCONSUL TIJUANA UNN

UNCLAS MEXICO 6257

E.O. 11652: N/A

TAGS: EGEN ETRD MX

SUBJECT: GOM PROGRAM TO REDUCE TRADE DEFICIT AND STIMULATE
DOMESTIC ECONOMY.

1. SUMMARY: OVER WEEKEND, GOM SECRETARIES OF TREASURY AND
INDUSTRY OUTLINED NEW PROGRAM TO REDUCE TRADE DEFICIT LARGELY
BY MEASURES AFFECTING IMPORTS, AND TO OFFSET LOWER ECONOMIC
GROWTH RATE THROUGH STIMULATION OF DOMESTIC PRODUCTION BY
HIGHER GOVERNMENT EXPENDITURES. PROGRAM AS OUTLINED REMAINS
VAGUE IN PARTS. FURTHER COMMENT IN SEPTEL. END SUMMARY.

2. THE ELEVEN MAIN POINTS OR PRINCIPLES OF THE NEW PROGRAM

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ARE AS FOLLOWS: (A) USE PUBLIC SPENDING TO COPE WITH

ECONOMIC PROBLEMS IN A MANNER TO SLOW INFLATION AND PREVENT RECESSION; (B) USE MEXICO'S (I.E., PUBLIC SECTOR'S) BUYING POWER FOR THE PLACEMENT OF NATIONAL PRODUCTS THAT ARE NOT SELLING WELL; (C) LIMIT UNNECESSARY PUBLIC SECTOR IMPORTS EITHER THROUGH SUBSTITUTION OF DOMESTIC PRODUCTS, OR THROUGH POSTPONEMENT OF PURCHASES; (D) STIMULATE IMPORT SUBSTITUTION PROJECTS THROUGH SUBSIDIES, EASING OF BUREAUCRATIC RED-TAPE AND FINANCING; (E) INCREASE DOMESTIC PRODUCTION OF CAPITAL GOODS THROUGH TAX POLICIES; (F) REVISE LIST OF GOODS PERMITTED FREE ENTRY IN BORDER AREAS; (G) REVISE GOVERNMENT PROCUREMENT POLICIES SO THAT DOMESTIC INDUSTRY KNOWS WELL IN ADVANCE WHAT FUTURE PROGRAMS ARE AND CAN THEREFORE PRODUCE THE NECESSARY GOODS; (H) ACT "WITH SEVERITY" TOWARD THE AUTO INDUSTRY IN ORDER THAT IT REDUCE ITS IMPORTS AND INCREASE THE DOMESTIC COMPONENT OF ITS OUTPUT; (I) PREVENT THE PRIVATE SECTOR FROM MAKING PURCHASES ABROAD WITHOUT OR BEFORE OBTAINING IMPORT PERMITS; (J) REFUSE TO AUTHORIZE PUBLIC SECTOR IMPORTS THAT ARE NOT PROGRAMMED ONE YEAR IN ADVANCE; (K) RENEW SUBSIDIES FOR MINERAL EXPORTS (I.E., REBATE OF TAX ON EXPLOITATION OF MINERALS) AND EXPAND USE OF CEDIS TO PROMOTE EXPORTS.

3. SECRETARY OF TREASURY CALLED NEW PROGRAM "AGGRESSIVE" AND SAID IT WAS A MATTER OF ANTICIPATING WORLD ECONOMIC DEVELOPMENTS AS MUCH AS POSSIBLE IN ORDER THAT THE DOMESTIC ECONOMY SUFFERS AS LITTLE AS POSSIBLE. HE ADDED THAT PUBLIC SPENDING MUST BE EMPLOYED IN ORDER TO BOOST THE ECONOMY WHEN UNEMPLOYMENT BEGINS TO INDICATE A WORSENING OF A "TRADITIONAL PROBLEM OF THE ECONOMY." HE CONTINUED SAYING THAT MANAGEMENT OF RECOVERY MUST BE DONE IN SUCH A WAY AS TO AVOID REVIVING INFLATIONARY PRESSURES.

4. SECRETARY OF INDUSTRY AND COMMERCE, CAMPILLO SAINZ SAID THE OBJECTIVES OF PROGRAM WERE TO MAKE MAXIMUM USE OF NATIONAL PURCHASING POWER AND INTERNAL DEMAND TO STIMULATE INDUSTRIAL GROWTH AND CREATION OF NEW JOBS; AND TO MAKE USE OF THE PRESENT SITUATION IN ORDER TO STRENGTHEN THE COUNTRY'S EXPORT CAPABILITY SO THAT IT CAN TAKE ADVANTAGE OF RECOVERY IN THE U.S. LATER THIS YEAR. CAMPILLO SAINZ ALSO SAID THAT NON-ESSENTIAL IMPORTS WOULD BE MAINTAINED AT PROVIOUS YEAR LEVELS THROUGH QUOTAS OR REDUCED, AND THAT IMPORT SUBSTITUTION PROJECTS FOR UNCLASSIFIED

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CAPITAL GOODS, CREATION OF FACTORIES, FORGES AND FOUNDRIES, MACHINERY AND EQUIPMENT OUTPUT, ELECTRICAL GOODS, AUTO PARTS, TEXTILE MACHINERY WOULD RECEIVE PRIORITY. EQUIPMENT AND MACHINERY IMPORTS FOR PROJECTS OF WHICH 60 O/O OF OUTPUT WOULD BE EXPORTED, WOULD RECEIVE REBATES OF UP TO 75 O/O OF IMPORT TAXES.

5. DIARIO OFICIAL OF JULY 14 CARRIES DECREE REQUIRING PRIOR PERMIT FOR ALL IMPORTS. WE HAVE ALSO HEARD THAT CERTAIN

IMPORTS HAVE BEEN BANNED FOR SIX MONTHS, BUT WILL CHECK FURTHER.
LOPEZ-PORTILLO IN RESPONDING TO REPORTERS QUESTION JULY 14,
SAID THAT NEW REGULATIONS WOULD BE USED WITH CARE TO AVOID
DISRUPTING ACTIVITY OF ANY INDUSTRY. HE ALSO IMPLIED THAT GOM
MAY USE SUBSIDIES TO HELP INDUSTRIES WITH SPECIAL PROBLEMS.

6. COMMENT FOLLOWS IN SEPTTEL.
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Margaret P. Grafeld
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